

Message Text

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ACTION PM-05

INFO OCT-01 EA-10 ISO-00 CIAE-00 H-01 INR-10 L-03
NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 OMB-01
TRSE-00 AID-05 ACDA-12 HA-05 EB-08 COME-00 EUR-12
IO-13 /120 W
-----002590 210454Z /16

R 210357Z JUL 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 5942
INFO SECDEF WASHDC
JCS WASHDC
CSA WASHDC
CSAF WASHDC
CNO WASHDC
CMC WASHDC
DISAM WP AFB OHIO
CINCPAC HONOLULU

C O N F I D E N T I A L SECTION 01 OF 02 WELLINGTON 03801

SECDEF FOR ISA; CINCPAC ALSO FOR POLAD

EO 11652: GDS
TAGS: MASS, MPOL, XX, NZ
SUBJECT: SECURITY ASSISTANCE REPORTING REQUIREMENTS

REF: STATE 167901

1. WE READ MAJORITY OF REFTEL AS HAVING APPLICATION TO
INITIAL REVISED REPORT SCHEDULE FOR 1 MAY SUBMISSION.
OUR INTERPRETATION IS REFLECTED IN RESPONDING TO SELEC-
TIVE PORTIONS OF REFTEL AS INDICATED BELOW. IF ADD-
ITIONAL INFORMATION IS REQUIRED, PLEASE ADVISE AND IT
WILL BE PROVIDED.

2. RESPONSE IS KEYED TO PARAS REFTEL:
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- (A) PARA 3A(A): SECURITY ASSISTANCE RELATIONSHIP WITH
NZ IS FUNDAMENTALLY SUPPORTIVE OF ANZUS AGREEMENT.
ASIDE FROM SATISFYING VARYING DEFENSE RELATED NEEDS FOR
NZ, THE SECURITY ASSISTANCE RELATIONSHIP IS VIEWED BY
GNZ AS AN OVERT MANIFESTATION OF US INTENTIONS TO RE-
MAIN AN INVOLVED POWER IN THE PACIFIC. IN BROAD TERMS

US SECURITY ASSISTANCE PROGRAM OBJECTIVES REINFORCE US REGIONAL SECURITY GOALS WHICH INCLUDE: MAINTENANCE OF ANZUS' KEY ROLE IN ASIAN/PACIFIC REGION; INSURING CONTINUED US ACCESS TO NZ TERRITORY TO INCLUDE NPW VISITS; MODERNIZATION/STANDARDIZATION OF NZ DEFENSE FORCES SO AS TO MAINTAIN POSTURE WITHIN ANZUS AND FPDA, AND CONTINUED OPERATION OF JOINT DEFENSE FACILITIES AND FLOW OF REGIONAL INTELLIGENCE.

- (B) PARA 3A(2): WHILE GNZ EXPRESSES SOME CONTINUING CONCERN OVER RECENT "INROADS" BY THE SOVIET AND PRC IN THE SOUTH PACIFIC REGION, NO DIRECT EXTERNAL THREAT IS EVIDENCED IN THEIR THINKING. THERE IS LITTLE DOUBT THAT NZ SECURITY IS LINKED VERY CLOSELY TO HER MAJOR PACIFIC PARTNER - AUSTRALIA, AND WITH US INTERESTS IN THE REGION. THERE IS NO INTERNAL THREAT TO NZ. THE GNZ LONG TERM STRATEGY (IN THE ABSENCE OF AN EXTERNAL THREAT) IS TO MAINTAIN REGIONAL INTERESTS IN CONCERT WITH AUSTRALIA AND LINK DEFENSE PLANNING TO ANZUS. NZ CAN BE EXPECTED TO ADVANCE HER INFLUENCE VIA AID AND OTHER COOPERATIVE PROGRAMS (ALBEIT FINANCIALLY LOW-ORDER) WITH ISLAND NATIONS AND OTHER NON-ANZUS REGIONAL COUNTRIES IN A SELECTIVE MANNER.

- (C) PARA 3A(3): THE ABOVE REFLECTS MISSION'S ANALYSIS.
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- (D) PARA 3A(4): FOR A SERIES OF DEMOGRAPHIC AND ECONOMIC CONSIDERATIONS, THE CURRENT NZ DEFENSE ESTABLISHMENT (12,800 PERSONNEL) REPRESENTS THE MAXIMUM STANCE, SHORT OF TOTAL MOBILIZATION. AS STRUCTURED AND EQUIPPED, NZ FORCES WOULD SERVE AS PARTICIPANTS WITHIN A LARGER ALLIED ORGANIZATION. NZ DOES NOT HAVE A LOGISTIC SUPPORT CAPABILITY TO SUPPORT INDEPENDENT ACTION (EXTERNAL OR INTERNAL) OVER ANY EXTENDED PERIOD.

- (E) PARA 3A(5): FROM A PURELY PRACTICAL STANDPOINT, NZ DEFENSE FORCES CANNOT BE VIEWED AS BEING CAPABLE OF SIGNIFICANT INDEPENDENT ACTION, NOR AS REPRESENTING MAJOR AUGMENTATION OF AN ALLIED FORCE. THE INTRINSIC VALUE OF NZ DEFENSE FORCES LIES IN PARTICIPATION WITHIN ANZUS, REFLECTING GNZ INTENTIONS TO SUPPORT US POLICIES ON BOTH REGIONAL AND INTERNATIONAL BASES.

- (F) PARA 3A(6): FOR THE NZ FISCAL YEAR ENDING 31 MARCH 1979, THE DEFENSE BUDGET REPRESENTED A LOSS IN REAL TERMS OWING TO CURRENT INFLATION LEVELS. THE DEFENSE SLICE REFLECTS A BACK SEAT TO OTHER PRESSING

NATIONAL ECONOMIC CONCERNS. BASED ON PRESENT PREDICTIONS THE OVERALL ECONOMIC CONDITION WILL SERVE TO RELEGATE DEFENSE SPENDING TO A "MAINTENANCE" STATUS -- THIS MAY WELL BE AN OPTIMISTIC VIEW SINCE SUCH PROGRAMS AS THE 200 MILE EEZ WILL REQUIRE DIVERSIONARY EXPENDITURE OF FUNDS AWAY FROM DEFENSE. THE DEFENSE BUDGET FOR THE FISCAL YEAR ENDING 31 MARCH 1979 IS NZ DOLS 276.9 MILLION NET, AND NZ DOLS 280.7 MILLION GROSS. APPLYING THE 1 JUNE 1978 CONVERSION FACTOR (1:1.0180), THIS EQUALS US DOLS 281.9 MILLION. THE FIGURE NZ DOLS 280.7 MILLION REPRESENTS AN INCREASE OVER THE PREVIOUS FISCAL YEAR

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OF 11.3 PERCENT AGAINST AN INFLATION RATE OF PLUS 15 PERCENT, AND REPRESENTS 3.6 PERCENT OF TOTAL GOVERNMENT SPENDING AND 1.7 PERCENT OF GNP (LATTER FIGURES ARE FORECAST, REQUIRING YEAR-END VALIDATION). PRECISE DATA ON PERCENTAGE OF MILITARY IMPORTS VS TOTAL IMPORTS IS DIFFICULT IF NOT IMPOSSIBLE TO RETRIEVE SINCE GOVERNMENT RECORDS DO NOT PRESENT SUCH INFORMATION (IN FORM). IT IS RELEVANT TO NOTE THAT GIVEN NZ'S NEAR TOTAL LACK OF A DEFENSE INDUSTRIAL CAPACITY, THERE IS NEAR ABSOLUTE RELIANCE ON IMPORT OF DEFENSE ITEMS. RAPID COMPUTATION INDICATES THAT APPROXIMATELY 15 PERCENT

OF THE TOTAL DEFENSE ALLOCATION GOES TOWARD OVERSEAS
PURCHASES. BECAUSE OF THE RELATIVE LOW LEVEL OF DEFENSE
SPENDING, IT IS DOUBTFUL THAT DEFENSE IMPORTS EXCEED
1 - 2 PERCENT OF TOTAL IMPORTS. GIVEN THE PRIMARY
INDUSTRY ORIENTATION OF NZ, THE MOST SERIOUS ECONOMIC
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PROBLEM FACING GNZ IS SECURING FREE MARKETS FOR EXPORT
OF PRIMARY PRODUCTS. LACKING THIS ESSENTIAL FIRST STEP
IN THE FLOW OF GOODS AND CAPITAL CREATES A CORRESPONDING
NEGATIVE IMPACT ON NZ ABILITY TO UPGRADE ITS INDUSTRIAL
CAPACITY.

- (G) PARA 3A(11): RESPECT FOR HUMAN RIGHTS IN NZ
IS FIRMLY ROOTED IN DEMOCRATIC TRADITIONS, AND THEREFORE
CLOSELY PARALLELS ATTITUDES/POLICIES WITHIN THE US.
BASIC FREEDOMS AS DEFINED BY THE US ARE PROTECTED BY
LAW AND RESPECTED IN PRACTICE. IT IS CONCLUDED THAT
GOVERNMENTAL ATTITUDES AND PRACTICES CURRENTLY IN FORCE
ARE IN LINE WITH US HUMAN RIGHTS OBJECTIVES AND REQUIRE
NO MODIFICATION TO KEEP PACE WITH US INITIATIVES.

- (H) PARA 3A(12): NZ DEFENSE PROCUREMENT INITIATIVES
ARE BASICALLY CONFINED TO THE ABCA ENVELOPE, AS ARE
OVERSEAS TRAINING AND EXCHANGE PROGRAMS. ASIDE FROM US
SOURCE PURCHASES, NZ RELIES MAINLY ON US SOURCES. RECENT
DEFENSE COOPERATION AGREEMENT BETWEEN AUSTRALIA AND NZ
PORTENDS GREATER CROSS-TASMAN INTERACTION DESIGNED TO BE
MUTUALLY SUPPORTIVE IN STRENGTHENING THE INDUSTRIAL BASE
CAPACITY OF BOTH COUNTRIES. IN GENERAL, THIS AGREEMENT
WILL INVOLVE LOW TECHNOLOGY AREAS SUCH AS WHEELED
VEHICLES AND MAINTENANCE SUPPORT PROGRAMS.

- (I) COMMENT: NZ HAS TRADITIONALLY BEEN AN FMS CASH
CUSTOMER AND HAS NOT APPLIED FOR FINANCING OR CREDITS
UNDER THE FMS PROGRAM. WHILE NZ IS MOST LIKELY TO
CONTINUE THIS POLICY, THE CONSTRAINTS OF THE ECONOMY
BALANCED AGAINST TECHNOLOGY COSTS ASSOCIATED WITH MAJOR
SYSTEMS (PATROL VESSELS, AIRCRAFT AND POSSIBLY TANKS)
MAY FORCE NZ INTO SEEKING CREDITS OR MORE LIKELY A FIN-
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ANCE PROGRAM. THIS SITUATION IS MOST APT TO SURFACE IN
THE 4 - 5 YEAR PERIOD STARTING WITH FY1980. IN GENERAL
TERMS, NZ'S GOAL IS TO MAINTAIN A STATE-OF-THE-ART POSTURE
WITH REFERENCE TO DEFENSE PROCUREMENT ACTIONS, AND

INCREASE EXCHANGE VISITS AND OVERSEAS TRAINING EXERCISES.
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Message Attributes

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